

Message Text

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C O N F I D E N T I A L BANGKOK 14102

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: GDS

TAGS: MARR, TH

SUBJ: TAX EXEMPTION FOR US MILITARY CONTRACTS IN THAILAND

REF: A. STATE 186660

B. BANGKOK 12587

1. A. REF A INDICATES THAT THERE CONTINUES TO BE A CERTAIN AMOUNT OF CONFUSION IN SOME QUARTERS IN WASHINGTON OVER WHAT THIS MISSION VIEWS AS THE PRIMARY ISSUE BEFORE US WITH REGARD TO US MILITARY CONTRACTS. CONFUSION IS IN THE EYES OF THE BEHOLDER. THIS ISSUE MUST BE DEALT WITH IN RELATION TO THE OVERALL US OBJECTIVES WHICH WE HAVE BEEN ASKED TO SUSTAIN IN THAILAND. CURRENTLY THE MOST IMPORTANT OF THESE IS THE OPERATIONAL READINESS OF US AIR FORCE UNITS NOW DEPLOYED AT ROYAL THAI AIR FORCE BASES AND THE ROYAL THAI NAVAL BASE AT U-TAPAO. THE MAINTENANCE SUPPORT OF THESE BASES, IN PAST PROVIDED BY CONTRACTS, IS PART OF THIS READINESS POSTURE. THE CONTINUED WILLINGNESS OF THE RTG TO PERMIT US TO USE THESE BASES, DESPITE A PERSISTENT FLOOD OF ADVERSE CRITICISM AGAINST OUR PRESENCE HERE, IS THE
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FUNDAMENTAL PREREQUISITE OF THE US AIR FORCE READINESS

POSTURE IN THAILAND. THE SUBSTANCE AS WELL AS THE MODE OF OUR NEGOTIATIONS ON SUCH ISSUES AS US CONTRACTS INFLUENCES THE WILLINGNESS OF THE RTG TO SUPPORT OUR MILITARY PRESENCE IN THAILAND.

B. I AM IN COMPLETE ACCORD WITH THE PRINCIPLE STATED IN PARA 1 REF A THAT US FUNDS APPROPRIATED FOR THE COMMON DEFENSE SHOULD NOT BE SUBJECT TO TAXATION BY GOVERNMENTS OF COUNTRIES WHICH BENEFIT FROM THEIR EXPENDITURES. THE APPLICATION OF THIS PRINCIPLE MUST TAKE INTO ACCOUNT ITS IMPACT ON THE PRIMARY OBJECTIVE ASSIGNED TO THIS MISSION. EXCEPT FOR THE DETAILED BREAKOUT OF THE ARRANGEMENTS THAT HAVE BEEN MADE WITH OTHER NATIONS, WHICH WE HAVE REPEATEDLY REQUESTED, WE NOW HAVE SUFFICIENT GUIDANCE FROM WASHINGTON TO WORK OUT MUTUALLY ACCEPTABLE ARRANGEMENTS WITH THE RTG, AND WILL INFORM YOU ABOUT HIS IN DUE COURSE.

2. MEANWHILE, I WISH TO COMMENT ON PARAS 3, 4, AND 5 OF REF A. CONCERNING THE MISSION'S CONDUCT OF NEGOTIATIONS WITH THE RTG. IN OUR DEALING WITH THE RTG ON POLITICAL-MILITARY MATTERS, INCLUDING CONTRACTORS, DAY-TO-DAY MATTERS ARE HANDLED THROUGH THE THAI ALLIED COORDINATING COMMITTEE AT SUPREME COMMAND HEADQUARTERS (FORWARD) WHICH THE RTG ESTABLISHED EXPLICITLY FOR THIS PURPOSE. IT IS WITH THIS ENTITY THAT DETAILS ARE WORKED OUT REGARDING OUR OPERATIONS AND PRESENCE IN THAILAND. AT THE SAME TIME, GENERAL POLICY MATTERS ARE DISCUSSED WITH THE PRIME MINISTER, THE MINISTRY OF FOREIGN AFFAIRS, AND THE MINISTRY OF DEFENSE. WE ENDEAVOR TO KEEP THE MINISTRY OF FOREIGN AFFAIRS GENERALLY INFORMED ON MATTERS BEING TREATED WITH SUPREME COMMAND HEADQUARTERS AND THE MINISTRY OF DEFENSE. SINCE THE OCTOBER 14 CHANGE OF GOVERNMENT THE POSITIONS OF THE FOREIGN MINISTER, DEFENSE MINISTER AND PRIME MINISTER ARE NO LONGER DEEMED SUFFICIENTLY IMPORTANT DIRECTLY WITH THE PRIME MINISTER AND HAVE DONE SO ON THIS QUESTION OF CONTRACTS. WE ARE CONVINCED THAT THIS MANNER OF OPERATION IS THE MOST EFFECTIVE WAY OF DEALING WITH POLITICAL-MILITARY ISSUES AND THAT TO ATTEMPT TO GO AROUND SUPREME COMMAND (OR TO FAIL TO KEEP MFA GENERALLY INFORMED) WOULD NOT BE PRBPUCTIVE. CONFIDENTIAL

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THE OFFER OF ASSISTANCE IN NEGOTIATION OF THIS ISSUE IN PARA 7 REFTEL IS ALSO DULY NOTED.

3. A. ON THE MONRING OF AUGUST 28 I ESCORTED ADMIRAL GAYLER, CINCPAC, AND COMUSMACTHAI TO GENERAL KRIANGSAK'S OFFICE FOR AN HOUR MEETING. (GENERAL KRIANGSAK WILL REPLACE GENERAL SURAKIJ AS CHIEF OF STAFF WHEN HE RETIRES SEPTEMBER 30).

B. I ASKED GENERAL KRIANGSAK TO DESCRIBE RELATIONS BETWEEN THE SUPREME COMMAND AND THE MINISTRY OF FOREIGN AFFAIRS. KRIANGSAK BEGAN WITH A DESCRIPTION OF THE COMMITTEE STRUCTURE OF THE THAI ALLIED COORDINATING COMMITTEE. KRIANGSAK MADE A STRONG CASE THAT THE THAI ALLIED COORDINATING COMMITTEE BE THE ONLY CHANNEL FOR ROYAL THAI GOVERNMENT DECISIONS ON OPERATIONAL MATTERS AFFECTING US FORCES IN THAILAND. HE COMPLAINED ABOUT THE ATTEMPTS OF CIVILIAN MINISTRIES AND CIVILIAN BUREAUCRATS WHO LACKED PROPER BACKGROUND IN THE COMPLICATED MATTERS OF US/THAI POLITICAL MILITARY RELATIONS TO INTRUDE THEMSELVES INTO THIS PICTURE.

C. TURNING TO THE PROBLEM OF CONTRACTORS, I ASKED GENERAL KRIANGSAK TO EXPLAIN THE INTRICACIES OF THIS ISSUE TO ADMIRAL GAYLER. KRIANGSAK BEGAN BY DESCRIBING THE POLITICAL PRESSURES HE WAS UNDER ON THIS SPECIFIC ISSUE. THAI CIVILIAN BUREAUCRATS AND PRESSURE GROUPS IN THAI SOCIETY, INCLUDING THE STUDENTS, HAD ALL FOCUSED ON THE SENSITIVE TAX ISSUE. AFTER APPEALING FOR UNDERSTANDING OF HIS PRESENT POSITION, HE PUT THE MATTER IN HISTORICAL PERSPECTIVE BY RECALLING A 1968 MEETING BETWEEN PRIME MINISTER THANOM AND THE THEN US SECRETARY OF DEFENSE CLARK CLIFFORD, AT WHICH KRIANGSAK ACTED AS INTERPRETER. DURING THIS MEETING, HE SAID, THANOM HAD PROPOSED TO CLIFFORD THAT US FORCES IN THAILAND DO ALL IN THEIR POWER TO ASSURE THAT THAILAND WOULD BE SELF-SUFFICIENT IN ITS OWN DEFENSE, INCLUDING THE ABILITY TO MAINTAIN MODERN AIR BASES. CLIFFORD AGREED TO THIS PROPOSAL FROM THANOM. HOWEVER, ACCORDING TO KRIANGSAK, SIX YEARS LATER THERE HAD BEEN LITTLE MOVEMENT TOWARD THIS END. THE CONTRACTOR ISSUE, HE SUGGESTED, MUST BE VIEWED IN THIS CONTEXT. THE RAFL ISSUE WAS TO UTILIZE THE THAI MAINTENANCE CONTRACTORS SO THAT THE THAIS COULD STAND ON THEIR OWN FEET. HOWEVER, THERE WOULD BE

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UNQUESTIONED POLITICAL BENEFITS AND A POTENTIALLY DANGEROUS POLITICAL ISSUE WOULD BE DEFUSED.

D. I DESCRIBED AGAIN TO GENERAL KRIANGSAK THE NATURE OF THE STRONG US OBJECTION TO THAI TAXATION OF ASSISTANCE APPROPRIATIONS USED FOR MUTAL DEFENSE. I MADE SPECIAL NOTE OF THE FACT THAT IN ALL THE OTHER COUNTRIES OF THE WORLD WHERE THE US MILITARY MAINTAINED FORCES, AN AGREEMENT BETWEEN THE HOST GOVERNMENT AND THE US EXISTED TO AVOID TAXATION OF SUCH APPROPRIATIONS.

E. GENERAL KRIANGSAK NOTED MY COMMENTS AND INDICATED HIS UNDERSTANDING.

4. IN THE AFTERNOON OF THE SAME DAY (28 AUGUST)

ADMIRAL GAYLER, THE DCM AND I HELD AN HOUR AND A HALF DISCUSSION WITH DEPUTY FOREIGN MINISTER CHARTCHAI. AMONG THE SUBJECTS WE DISCUSSED WAS THE APPROPRIATE LOCUS IN THE RTG FOR THE US TO NEGOTIATE AND COORDINATE POLITICAL-MILITARY ISSUES SUCH AS CONTRACTS. CHARTCHAI STRONGLY PRESENTED THE MFA VIEW THAT WE SHOULD DEAL WITH THEM ON THESE MATTERS. I POINTED OUT THAT AS OF NOW THE THAI ALLIED COORDINATING COMMITTEE (ON WHICH THE MFA AND OTHER APPROPRIATE MINISTERS WERE REPRESENTED) WAS THE ESTABLISHED MECHANISM FOR RESOLVING QUESTIONS RELATING TO OUR MILITARY PRESENCE HERE. IF THE THAI WISHED TO CHANGE THIS, WE SHOULD BE OFFICIALLY ADVISED. CHARTCHAI SAID HE WOULD RAISE THIS MATTER WITH THE RTG THROUGH THE MFA. MEANWHILE, I TOLD HIM I WOULD CONTINUE TO ADVISE THE MFA OF OUR DISCUSSIONS WITH THE TACC. I ALSO ADVISED CHARTCHAI THAT IF THE RTG ESTABLISHED A NEW LOCUS FOR NEGOTIATING POLITICAL-MILITARY QUESTIONS, I WOULD BE MOST HAPPY TO TRANSFER THIS ASPECT OF OUR RELATIONS TO IT.

5. I TRUST THAT THE MODE OF NEGOTIATIONS BETWEEN THIS MISSION AND THE RTG IS UNDERSTOOD IN WASHINGTON.

KINTNER

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